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## **From the Editor**

I hope you have all received an email or seen the newspaper advertisement placed in all our rural newspapers regarding those initiatives the Governor's Rural Partnership Board selected for focus during the upcoming year. If not, they are posted online at [http://rural.utah.gov/rural\\_agenda](http://rural.utah.gov/rural_agenda). Certainly these items do not address every need in every community, but they are a place to begin. I expect you've all heard the quotation, "The journey of a thousand miles begins with a single step."

I have been pleased to hear from several people who want to jump on board the train and get moving on these initiatives. I hope we will all remember another quote, this time from Gandhi, "There is more to life than increasing its speed." It's a time of change in Utah. Jon Huntsman, Jr. will be our new governor and he will be appointing new directors to many state departments over the next month. Governor Huntsman's team will be a key partner in the Governor's Rural Partnership Board's efforts to implement rural initiatives this year and in the future. Common courtesy, discretion and humility suggest that we wait until Governor-elect Huntsman and his team are in place and have an opportunity to provide us with their perspective, guidance and support.

This will be an exciting year for Rural Utah. Thank you for all your past efforts in support of your community and loved ones as well as for all you will do in the future.

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## **Rural Resource of the Month:**

**[Rural.utah.gov](http://rural.utah.gov)**

Last month the Office of Rural Development went online with its new website which can be accessed at <http://rural.utah.gov>. As you would expect, the site has information about the Governor's Rural Partnership Board, the Rural Agenda, and the Rural Development Legislative Liaison Committee. However, there two other parts of the website we encourage you to visit. The first is the Rural Resource Center. The Rural Resource Center was developed specifically for rural entrepreneurs and includes information about resources dedicated specifically to their rural needs. You should also visit the Rural News section which hosts interesting articles about rural Utah businesses as well as a wide range of online newsletters of interest to rural entrepreneurs. Through [Rural.utah.gov](http://Rural.utah.gov), you can also access information on the Utah Main Street Program and the Utah Smart Site Program. If there is any information you would like to add, send an email to [emeyer@utah.gov](mailto:emeyer@utah.gov).

# Understanding Rural Economic Clusters

One of the concepts discussed extensively at the Utah Rural Summit and reflected in the initiatives selected by the Governor's Rural Partnership Board was that of "rural economic clusters". The concept behind economic clusters is somewhat involved. On September 5th, the following article about rural economic clusters appeared online at GrandForksHerald.com. Since we will be focusing on economic clusters in Utah, we thought you would be interested in the author's perspective.

**VIEWPOINT: 'Clusters' can, do transform rural economies**  
By Dale Schmid

**SANTA ROSA, Calif.** - Saturday, the Herald printed my viewpoint discussing the findings of a Harvard Business School study of the competitiveness of rural economies and the application of that study to North Dakota. Today, I'd like to discuss several other key findings from the study, particularly those regarding business clusters.

The study defines clusters as, "geographically concentrated groups of companies, suppliers, educational organizations and other institutions in a particular field." Clusters can improve competitiveness in rural areas by increasing productivity and fostering innovation.

The lignite coal industry in North Dakota is a good way of illustrating this. The state's lignite mines fuel seven electric generating stations and the nation's only coal gasification plant. The companies involved collaborate as well as compete - they share infrastructure, suppliers and a pool of skilled employees.

Mercer County and Oliver County, the two prime coal-producing counties, have per capita incomes that are about 150 percent of the state average. The industry has received long-standing support from UND's Energy and Environmental Research Center and is moving forward with plans to build "superclean" generating plants.

Clusters also have application in agribusiness. Within 30 miles of where I live in Sonoma County, Calif., are more than 200 premium wineries making a multibillion dollar contribution to the regional economy. The wineries have spawned a sophisticated network of equipment suppliers, contractors, banks and specialized professionals such as engineers, accountants and attorneys.

The cluster is supported by wine programs and research at the University of California. Sonoma County businesses and their employees share in value added by the industry all the way from the vineyard to the point at which cases of Sonoma chardonnay enter national distribution.

A large North Dakota wine industry isn't likely, but just as Sonoma County has a competitive advantage in premium grapes, North Dakota is, for example, the pre-eminent national producer of durum wheat, the principal ingredient in pasta. Dakota Growers Pasta in Carrington, N.D., illustrates another finding of



Take the first step in faith. You do not have to see the whole staircase, just take the first step.

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the Harvard study: the benefits of a "traded industry." A traded industry competes to sell products across regions and has higher levels of productivity and growth than industries that sell only locally.

Carrington's population has stabilized, in part, because of the presence of Dakota Growers, which is less seasonal and pays higher wages than farm work. A business of this type also permits a small community to diversify its skills into areas such as production, sales and distribution.

The state has other pasta producers. It remains to be seen whether they will team with Dakota Growers to achieve cluster benefits. To do so probably requires the help of North Dakota State University, state government and industry associations.

The Harvard study also emphasizes that rural areas can benefit from trade relationships with adjacent metropolitan areas. North Dakotans may be tempted to say there is no large nearby city - that Minneapolis is 240 miles from Fargo. However, there is another city with a population equal to that of North Dakota within 60 miles of the border - Winnipeg.

More than 100 years of history made North Dakota and Manitoba separate economies. That relationship deserves re-examination.

The study reminds us that state and local policies have a big impact on competitiveness. Restrictive, Depression-era laws for corporations and property, excessive local government and the need for reform in the higher education system are examples of areas where North Dakota is guilty of foot dragging.

Last, the Harvard Business School study notes that "the composition of regional economies shifts slowly, and economic development policies will take years to shift employment patterns." Improving the state's economy is a marathon, not a sprint.

*Schmid is a North Dakota native and a retired partner of an international accounting and consulting firm.*

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## **GRPB Priority: Public Lands Conference**

On December 20<sup>th</sup>, 75 county commissioners, local public land use staff, and committee members attended the first Public Lands Coordinating Conference. Lt. Governor McKeachnie welcomed the participants and explained that the conference was one of the six priorities identified for the upcoming year by the Governor's Rural Partnership Board. Lt. Governor-elect Gary Herbert was in attendance and confirmed the importance of public lands issues to the incoming administration. Each region presented an overview of their public lands issues and federal planning initiatives currently under way. State Planning Coordinator Wes Curtis led a discussion of how state and local land use planning issues could be better coordinated. Attendees passed a motion requesting the new administration to continue these meetings, perhaps semi-annually.

## **GRPB Priority: Diversified Agriculture Conference**

**February 24-26, 2005- Brigham City:** One of last year's outstanding conferences was the first Diversified Agriculture Conference held in Ephraim. The Governor's Rural Partnership Board has chosen the continuation of these conferences as one of their priorities so we encourage you to mark your calendar now.

The Diversified Agriculture Conference hosted by Utah State University Cooperative Extension, is designed to benefit agriculture producers who are interested in more than just traditional agriculture, including recreation, tourism, direct marketing, farmers' markets, further processing, etc.

Information to be presented at the conference will include the methods and ideas from innovative producers and information from professionals on legal issues, financial issues, marketing, etc. For more information, please visit <http://extension.usu.edu/cooperative/agribusiness/index.cfm/cid.371/tid.762/>



**Wayne Gretzky**

"One hundred percent of the shots you don't take don't go in."

### **Flourishing in the New Marketplace: How to Thrive in the Shadows of the National Chains**

***By Bim Oliver***

*This article by Bim Oliver, Utah Main Street Director appeared in "Money Matter"s, Issue 5 published by Elite Publishing Services, a Utah Smart Site.*

It's hard to imagine a small business in southern Utah that hasn't been impacted in some way by large-scale commercial development. Even if you think your business is insulated from the presence of national chains, you may want to think again. According to Tom Moriarity of Economics Research Associates, Wal-Mart alone competes with fifty-three types of businesses.

There's no question that national chains significantly alter the local marketplace. But those changes can create opportunity as well as challenges. National chains reinforce or even expand the trade area, thereby increasing the potential customer base for local businesses. Similarly, national chains encourage residents to spend their money at home rather than traveling elsewhere to do business. And national chains clarify the local marketplace, allowing the local business to refine its identity and reposition itself. The family clothing store, for example, that used to try to provide a broad selection can now focus on specific brands or price points.

Whether local businesses flourish in the shadow of the national chains depends on the extent to which those businesses are prepared to adapt. Merchants that try to compete directly with the national chains will lose, because price will become the variable, and large retailers will always win when price is the deciding factor.

The challenge for small local businesses is to find new and different ways of doing business to keep pace with the major changes brought on when national chains enter the local market. This may seem like a daunting task, but the fact is that it's possible for your business not only to survive the advent of the national retailers but to thrive, as well.

## Getting To Know Us



**Myrna Hill**

Myrna is the engine that makes DBED's Business Expansion and Retention Program run. As the secretary for all BEAR initiatives including the Office of Rural Development, Myrna has just celebrated her fifteenth year. During this time she has worked on several key initiatives including the Biomedical Industry Task Force, the Small Business Advisory Council and the Small Business Recognition Breakfasts. Her services are currently vital to the Governor's Rural Partnership Board. Outside of work, her life revolves around her son Kendall, his wife Kelly and her three grandchildren Keni Jaelyn, Jacob and Jackson.

As a starting point, take comfort in the fact that if you've survived this long in the shadow of national retailers, you're probably going to be around for the long term. Research conducted by Utah Main Street indicates that most local "casualties" occur in the first year of a national chain's presence and that most vulnerable businesses are those that are marginal to begin with or that are competing directly with the national retailer.

So, you've survived. Congratulations! Can you find happiness and profit in this new marketplace? The answer is a qualified "Yes." But you have to learn to adapt and to keep adapting, because the marketplace is changing almost daily and will continue to do so. The primary reason that Wal-Mart has become the world's largest corporation is that it is constantly adjusting, continually tinkering with everything from product lines to store design to advertising themes.

### **Here are a few tips to help you adapt:**

- Engage your customers. This may seem like a trite recommendation, but it is critical. Your first order of business should be to retain your existing customers and to get them to spend more money. Doing so is much more cost-effective than trying to bring in new customers. The key to retaining customers is to focus on relationships not transactions. To do so, you must constantly be seeking information from your existing customers to learn how to fine tune your business and intensify and reinforce relationships with those customers. If you don't already, get to know your customers on a first-name basis and create a database that profiles their preferences, birthdays, sizes, etc. Contact customers on their birthdays or when their size or color comes in. Follow up with customers after their purchases. And listen, listen, listen.
- Understand the competition and reposition your business accordingly. National retailers can be intimidating, because it seems like they do everything well. The fact is that each has significant weaknesses that you can capitalize on, especially if your customer base has particular needs or interests. It is critical to visit the competition to see how they do business and to identify the gaps in merchandise or service that can be to your advantage. Ultimately, this may mean that your business becomes more specialized. Segmentation—i.e., specialization—is a growing trend, and your business may benefit from increasing specialization. Consumers are returning to shopping patterns based on visits to businesses that offer specific products or services—e.g., the butcher shop, the bakery, the golf store. Focus your inventory on specific "target markets" rather than trying to appeal to a broad range of interests and, correspondingly, focus your products and/or services on the needs of your target markets.
- Emphasize your business' unique assets. The highfalutin marketing term is "differentiation." If your business is just another "face in the crowd," then it will get lost in the crowd, especially with national competitors that are bigger and noisier and more aggressive. What distinguishes your business? An exceptional product line (i.e., products you can't find at the national retailers)? Salespeople who are truly experts in the products or services you

offer? A distinctive location or ambiance? The key is to identify and communicate the most positive attribute of your business that differentiates it from the national chains.

As you consider how to reposition your business individually, it is equally critical that you understand the need to work collaboratively with your fellow local businesses. The days of rugged individualism are over, and only true "destination business" that attract a loyal customer base from throughout the trade area and beyond can stand alone.

If your community doesn't have a local marketing co-op, then create one. The organization should serve two primary goals: to create and implement a campaign that markets local businesses collectively, and to assist local businesses in getting the resources (primarily information) that they need to be more competitive. The goal of the marketing campaign would be to get customers in the trade area to think of your local businesses in the same manner in which they would perceive businesses at a mall: as complementary offerings in an inclusive whole.

Right now, however, residents of your community probably think of local businesses individually, so the big box or cluster of national chains seems much stronger by comparison. In other words, the local hardware store is competing alone against Lowe's and Home Depot and the local consumer electronics store is competing alone against Best Buy. Instead, the hardware store and the consumer electronics store and the family clothing store and others need to be "clustered" in the minds of customers, so that each complements and reinforces the others.

Ultimately, whether you're successful in competing with the national chains depends on how adaptable you are as a business owner, how successful you are at strengthening relationships with your existing customers, and how much you collaborate with your fellow local business owners.



Now join your hands,  
and with your hands  
your hearts.

William Shakespeare

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## Utah Smart Site/State Agency Tradeshow

On January 25<sup>th</sup>, the Utah Smart Site Program is hosting a tradeshow in the Utah State Capitol Office Building to encourage increased contracting between state agencies and Utah Smart Sites.

The tradeshow will provide an opportunity for state IT buyers to become familiar with the services offered by Utah Smart Sites. In addition, state agencies will learn about the incentives available to them if they purchase services from Utah Smart Sites located in Enterprise Zones. These incentives are available through legislation passed by Senator Leonard Blackham during the last legislative session.

*For information about business retention and expansion contact the Utah Division of Business and Economic Development, Business Expansion and Retention Program, 324 South State Street, Suite 500, Salt Lake City, UT, (801) 538-8775*

We're on the Web!

<http://rural.utah>.